

Fiscal Services Division
Legislative Services Agency
Fiscal Note

SF 2160 – Unemployment Insurance Fact Finding Update (LSB 5448 SV.1)
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Fiscal Note Version – As Amended and Passed by the House

Description

Senate File 2160, as amended and passed by the House, changes the Unemployment Insurance recovery of overpayment of benefits process. The claimant will no longer be required to reimburse the Unemployment Insurance Trust Fund for benefits paid prior to the reversal of the award on appeal, if the employer did not participate in the initial determination hearing. The employer's account will be charged unless the initial award was the result of fraud or misrepresentation by the claimant at the initial determination.

The Bill changes the employer penalty for each delinquent or insufficient wage report to \$35. The Bill also requires employers to pay a fee of \$30 and costs associated with any payment that is not honored when presented to a financial institution. The Bill further requires employers to pay the costs associated with service of a subpoena by the Department of Workforce Development. Employers that refuse or negligently fail to honor a subpoena are to be penalized \$250. The Bill takes effect January 1, 2009.

The Bill also requires the Iowa Workforce Development Department (IWD) to deny permission to specified representatives to represent employers in Unemployment Insurance matters if the IWD determines that the representative demonstrates a continuous pattern of failing to participate in the initial determinations to award benefits.

Background

Unemployment Insurance claimants received payments totaling approximately \$762,000 during FY 2007, where the employer did not participate in the initial determination to award benefits, and the award was reversed on appeal. Under current law, the claimant is required to repay the Trust Fund any awards or overpayments that they were not entitled to receive. The Iowa Workforce Development Department typically attempts to recover the overpayments from the claimants over a period of years.

The proposed change to the law will charge the employers account for the amount of overpayments if the employer does not participate in the initial hearing. An employer that has an additional charge to their account could have their rates adjusted and the amount of overpayment would be recovered over a period of years due to the employer paying a higher rate.

The balance in the Trust Fund is part of the formula used to calculate all employers' rates. Any funds not recovered by the Trust Fund could impact the rates of all employers.

The penalty for each delinquent or insufficient wage report is currently \$10 for the first report, \$25 for the second report, and \$50 thereafter.

Assumptions

- The change in law will reduce the amount of overpayments by 50.0%.
- Currently, claimants reimburse the Trust Fund, over a period of years.
- Under the proposed law, the employer will reimburse the Trust Fund over a period of years.
- The number of first-time delinquent or insufficient wage reports will remain constant for FY 2009 at the estimated FY 2008 level of 14,000, and be reduced to 12,600 for FY 2010.
- The number of second-time delinquent or insufficient wage reports will remain constant for FY 2009 at the estimated FY 2008 level of 8,000, and be reduced to 7,200 for FY 2010.
- The number of second-time delinquent or insufficient wage reports will remain constant for FY 2009 at the estimated FY 2008 level of 5,000, and increase to 6,000 for FY 2010.
- The number of payments that are not honored when presented to a financial institution will remain constant at an estimated 120 annually, with a cost of \$1.75 each.
- The costs associated with the service of a subpoena will remain constant at \$6,800 annually.
- Employers that refuse or negligently fail to honor a subpoena will remain constant at an estimated 110 annually.
- The Department will utilize \$18,000 of the increased revenue for 0.35 of an FTE position during FY 2009 and \$10,000 for 0.25 of an FTE position during FY 2010.

Fiscal Impact

Senate File 2160 will have a minimal or no impact on the Unemployment Insurance Trust Fund. The Bill requires the employer to reimburse the Trust Fund and not the claimant, if the conditions of the Bill are satisfied.

Revenue to the Special Employment Security Contingency Fund (also known as the Penalty and Interest Fund) will increase by an estimated \$179,000 for FY 2009 and \$325,000 annually beginning in FY 2010.

The barring of a representative that currently represents the State would have little or no fiscal impact. The Department of Administrative Services would put the service out for new bids.

Sources

Department of Workforce Development
Department of Administrative Services

/s/ Holly M. Lyons

April 24, 2008

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.
